

# THE INFLUENCE OF THE EXTERNAL ENVIRONMENT ON ORGANIZATIONS

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*The dynamics and complexity of external environment causes changes in organizations' overall activity. These can lead to disruptions in their work, with multiple implications, both internally and within the areas in which they act. Since the elements that are related to organizations' external environment do not evolve simultaneously in the same direction and with the same intensity, the effects triggered on these entities are different. The influences between organizations and their external environment are reciprocal: the former influence the environment through their products, services, whereas their outer environment influence organizations. Consequently, to increase the efficiency and competitiveness of organizations, the decisions of managers must take into account the aforementioned interdependence.*

**Key words:** organization, external environment, products, services, efficiency.

## 1. INTRODUCTION

Organizations, as part of the social system, are comprised of members of society that have basically the same goals or interests and represent the context in which each of these members manifest and integrate themselves. The emergence, existence and proliferation of organizations are determined by the fact people, because of their limited intellectual and physical capabilities, are constrained in their activity and cannot achieve the proposed objectives. That's why organizations develop then and there when the achievement of the proposed targets exceeds people's capacity of accomplishment and requires their specialisation, as well as their integration into the community as a whole.

One of the most important features of the organization is its ability to

adapt to changes that occur outside the organization.

## 2. EXPLANATORY APPROACHES FOR THE OPERATION OF THE ORGANIZATION AS A SUBSYSTEM

Our society can be seen as a system composed of separate organizational structures, within which human activities take place. People, eminently social beings do not live alone, but interact. This interaction is due primarily to activities that people carry. Modern man lives and acts within organizations and the influence of the organizations on man is so strong that he becomes "the organizational man".

The organization is preset with common goals and contributes, inter

alia, at improving people's living conditions. Organizations differ in purpose and composition, methods and technologies they use to achieve their goals, they differ in the size and location of their activities and markets. In addition, they are in different economic, political and social environments and have different cultures.

Because it is a complex social organization, the organization is difficult to define. The difficulty of defining the concept of organization is determined both by the many perspectives from which the organization is analyzed, and the evolution of organizational analysis which, based on theoretical and practical contributions made over time, enshrined new ways of defining. We present below some of the definitions of the organization, in order to highlight different perspectives of approach:

*“a group of people who are involved in common activities in order to achieve one or more objectives” [1];*

*“system in which effective cooperation is achieved by human activities” [2];*

*“a group of people among which structural interpersonal or multi-personal relations are established, where individuals are differentiated according to the authority, status, role and which is constituted in order to achieve some objectives or goals previously proposed, aiming to achieve a high efficiency” [3];*

*“tools for achieving a goal or have a specific and clear set of objectives and their internal structure is designed so that it can contribute to achieving the goals” [4];*

*“targeted communities focused on specific purposes and which have social structures relatively high formalized” [5] (R.W. Scott, apud M. Vlăsceanu, 2003, 2005);*

*“collectivities whose participants pursuit multiple interests, both different and common, but who recognize the importance of perpetuating the organization as representing an important resource. The informal structure of relationships that develop between participants provides an informative guide for understanding the organizational behavior more precisely than it is offered by the formal structure” [5];*

*“systems of interdependent activities linking changing coalitions of participants; systems are embedded in - dependent of continuous exchanges with- and formed by environments in which they operate” [5];*

*“an institution that has as its specific features: a) involves free (voluntary) adhesion of its members; b) requires a relatively specialized activity; c) its content refers to its members, although it can also work with other individuals representing their field of specialised activity; d) presents a relatively autonomous character on its birth and operation” [6];*

*“human formalized and hierarchical assemblies in order to ensure cooperation and coordination of their members to achieve given purposes” [7];*

*“a system composed usually of several people working together on the basis of certain predetermined rules in order to achieve a purpose” [1];*

*“two or more people working together to accomplish a task that could not be carried by one man” [8].*

From the above definitions, several features of the organization can be highlighted:

a) organizations are always specialized in the sense that they have a mission that is associated with specific targets;

b) organizations are groups of people that run work processes to achieve common and specific objectives;

c) organizations cannot exist without a proper management to establish goals to ensure both procedural and structural and organizational necessary conditions to achieve the objectives and the coordination of the effort of people in the organization as well as their training and motivation

d) organizations have a formal organizational structure, focusing on principles, rules and well defined relationships, which are universally learned and respected by the group members.

The organization as an open system is directly influenced by other organizations to which it interacts and indirectly with economic, social, political, technical, legal, demographic, scientific, organizational, cultural, psycho-sociological, educational and ecological factors of the environment in which it operates. Proper functioning of the organization depends on awareness by its management of factors through which the external environment interrelates with the organization.

### **3. COMPONENTS OF EXTERNAL ENVIRONMENT AND THEIR INFLUENCE ON THE ORGANIZATION**

Being a dynamic system, the organization takes the resources

needed from the external environment and place them in specific processes. As a result these processes there are products, services or works to be transferred to the same external environment.

The influences between the organization and its external environment are reciprocal: the organization influences the environment through its products and services and the external environment influence acting within its organization.

The external environment is represented by a set of institutions and external forces that influence survival and/or progression of the organization. It directly or indirectly influence the objectives, plans, procedures, activities and results, playing an important role in the organization. Detailed knowledge of the external environment of an organization is difficult, if not impossible. That's because the components of external environment are numerous, complex, dynamic, unpredictable and in some cases, disruptive to the organization's work. From a certain point of view, the external environment is an objective reality: a concrete set of conditions that theoretically can be measured accurately. Basically, the management of the organization is made under environmental conditions. Therefore we can unmistakably say that the external environment is a subjective reality.

External environment characteristics are:

a) uniqueness-each organization has its external environment, individual, unrepeatable;

b) dynamism - an organization's external environment is very dynamic due to the changes the components undergo;

c) sensitivity to influence - the external environment determines by many ways, the work of the organization, but at the same time supports its influences which are directly proportional to its size, position held among other organizations, the volume of activities. This feature generates, for each organization, the possibility to identify the most sensitive areas of the external environment and the opportunities it offers, as well as the adequate capitalization of those opportunities.

The components of an organization's external environment can be classified into two categories: microenvironment or specific environment and macro environment or general environment. In our work we will refer only to the global environment.

General environment holds the main place to guiding the organization's activity in accordance with society's needs and includes all general factors, with indirect and long-term action on an organization. It reflects the general conditions and trends in the society in which the organization operates. The dynamics and complexity of the environment generally causes extensive changes in the organization. These changes can lead to discontinuity in the organization, with multiple implications, depending on the size and activity profile, but also the area where the organization operates. Because the elements of the general environment do not evolve simultaneously in the same direction and with the same intensity,

triggered effects on the organization are outstanding.

Although the literature addressing general environment components is generally quite nuanced, there is a consensus to consider that the most important external factors that influence the activity of the organization are those designating demographic, economic, technical and technological, sociocultural, political, legislative, natural and internationally environment.

a) Demographic environment is defined by specific indicators and includes all demographic elements acting on the organization (the level, dynamics, population structure, number and socio-professional structure of the population, the average size of a family, the share of employed working population, etc.). It has multiple effects on the development and activity of the organization in both the short and long term. Ratio analysis determines the size and potential market demand, its evolution, and distribution in space and segmenting consumer preferences for the products and services of the organization and also for the competition.

b) The economic environment includes all elements of the economic environment with direct action on the organization and aims allocating resources in society. For this fact, the organization needs to take better decisions related to, inter alia: consumer incomes, the consequences produced by the dynamic economy at general and sectorial level, the system of taxes, changes in interest rates and inflation etc. They influence decisively the establishment, operation and

development of organization in the medium to long term horizon.

c) Technical and technological environment includes technical level of equipment available for purchase, quality technologies that can be purchased, technical and scientific quality of research, creative ability, the licenses and patents etc. Putting its mark mainly on the availability of equipment and the pace of modernization of products and technologies, it influences both the activity of the organization and management practiced in this, their consequences can be recorded in the production capacity of the organization, the rate of change offer their products and services and, not least, in production costs, as a determinant of the degree of functionality of the organization.

d) Sociocultural environment consists of elements regarding the system of value, traditions, and norms of coexistence, behaviors and demographic trends specific to a geographic area. It affects the organization's work through specific ways of linking individual and social interests, through the conscious activity of individuals and groups working in society. It directly or indirectly influences the organization, which must be tailored to geographic areas to which cooperates, because as strong as its organizational culture is, its management process changes under the pressure of cultural individuals and collective elements outside the organization when we refer to employees and new inputs to this process appear, when we refer to consumers' perceptions on products and services of the organization, from a cultural point of view.

e) Domestic and international political environment influences the organization's work: the structure of society, political forces and the relations between them, the degree of stability of the domestic political climate, regional and/or international. It can become an energizing or restrictive factor for the organization's work, as the market and economic activities are sensitive to current and future intentions of political forces involved in the management processes of a company.

f) The legislative environment influences the organization's work through all the laws, decrees and governmental decisions. The institutional and legislative system establishes the framework the organization may carry ensuring resource utilization, completing lucrative market, preventing orientation in adverse directions. We should also consider the limits provided by this environment as it affects managerial and projections views regarding the evolution of the organization and reflects the level of acceptability of the conditions set out in legal documents.

g) Natural Environment includes natural resources: water, air, soil, vegetation, and fauna. It has a major influence in the organization both by dependence on natural resources, as well as restrictions imposed by the laws and actions to protect the environment. Currently any organization is bound to use only clean technologies and to organize all activity in order to protect the environment and to combat its deteriorating, leading to the reformulation of approach of future actions, in particular, affecting

the volume costs to be incurred for compliance with this field.

h) The international environment is represented by factors outside the origin country of the organization, which may influence or affect the organization. The importance of the international environment is still growing and can have a significant influence on the organization's ability to conduct business effectively because, regardless of its size or specificity, the phenomena of globalization of business and the internationalization of organizations make their presence and consequences felt on any geographical area and at any economic level.

To increase the efficiency and competitiveness of the organization, the decisions taken by managers must take into account the interrelationships between the organization and the external environment. These dependencies can be highlighted through the most important external factors that influence the activity of the organization.

#### 4. CONCLUSIONS

The organization is a complex, dynamic and open system, which incorporates human, material, financial, informational resources. As an open system, the organization transforms inputs into the system in goods or services which are rendered to the external environment for consumption, and represent the outputs from the system.

Being a key component of the environment in which it operates, the organization influences the external environment through the work it performs. So, adaptation of the organization to environment is active

through the influences it exerts on it.

The organization is not opposed to the external environment, but as a component of it, exerting influence and having an active role on it.

The most important external factors that affect the organization's work environment are those that designate the environment: demographic, economic, technical and technological, sociocultural, political, legal, natural and internationally.

An organization could operate efficiently if it knows the factors of the external environment as well as the changes taking place, adapting continuously to the demands of the external environment.

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